



The Electronic Platform for Variable-Rate Securities

[www.claritybid.com](http://www.claritybid.com)

A Division of Arbor Research & Trading, LLC

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What is Clarity?

Dynamics of the Market

Product Suite

# What is Clarity?

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## Clarity is a new electronic platform for variable-rate securities

- Powerful combination of an electronic platform and a team of active market experts
- Eliminates pricing role of traditional remarketing agent

## Key points

- Competitive bid process
- Allocations determined solely by bid level – encourages buyers to compete on price
- Pre-trade price transparency
- Clarity structures can easily be incorporated into existing multi-modal documents
- Applicable to new issues and/or conversions of outstanding issues

## Goals of the Clarity system

1. Promote Centralized Liquidity, Transparency, and Competition
2. Improve Execution
3. Reduce Volatility
4. Create Economies of Scale
5. Provide access to Data

# What is Clarity?

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## Clarity vs. Current Market

### Important Similarities:

- Marketing team of experienced professionals
- Competitive fee structure
- Uses traditional underwriting process
- Multi-modal documents
- Both Non-2a7 and 2a7-eligible products

### Important Differences:

- Centralized market and liquidity
- Pricing and allocation is competitive
- Pre-trade price transparency
- Intelligent Bidding – resting GTC orders create layers of liquidity
- Access to data – both historical and real-time markets
- Alternative to conventional remarketing agent

# Market Dynamics

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## Current Market

- Limited access, opaque, and decentralized marketplace
- Unfavorable trends associated with dealer balance sheet usage
- Product innovation significantly limited by fragmented investor reach

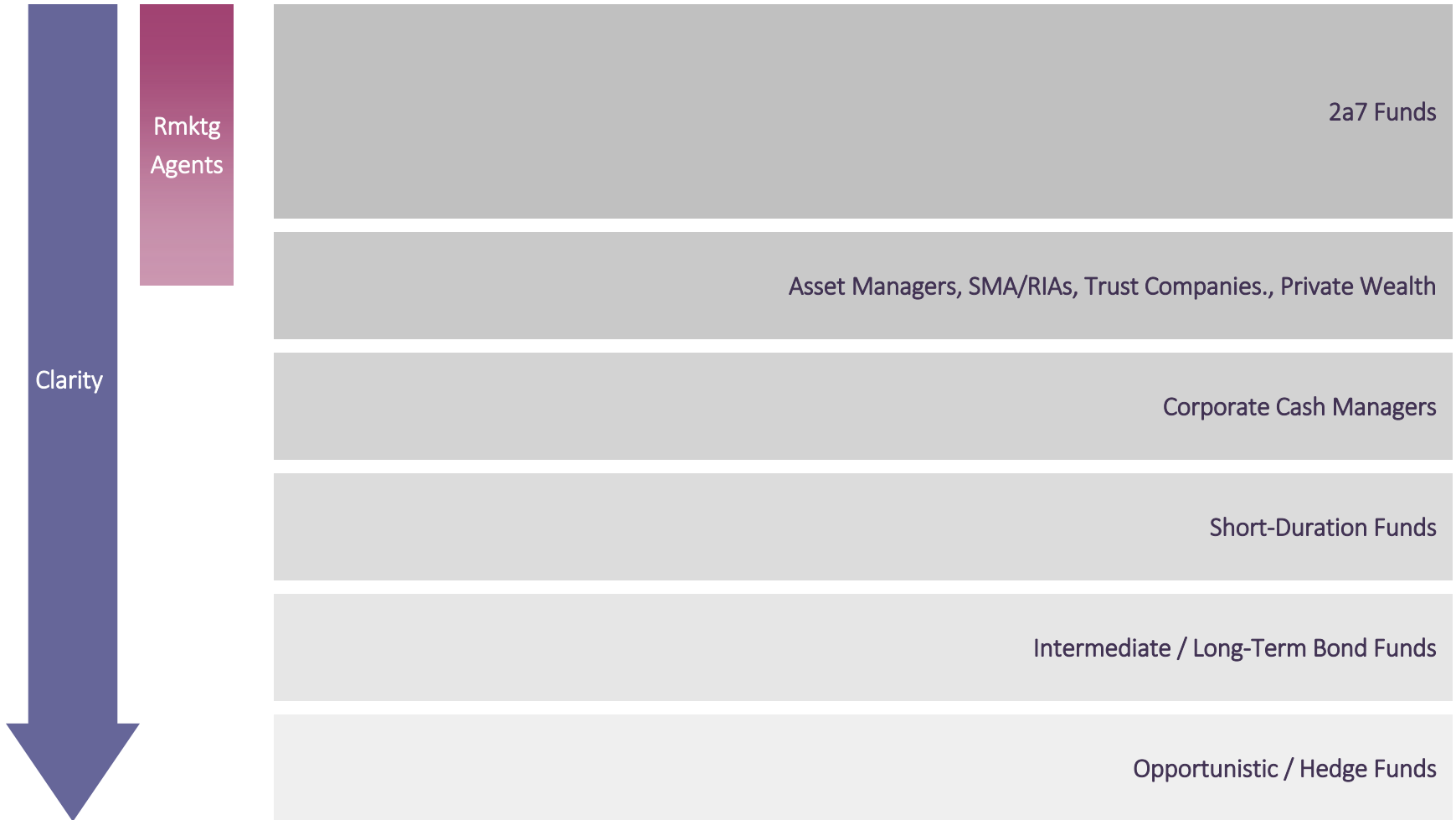
## Clarity Market

- Transparency provides ability to quantify demand and assess true breadth and depth of market
- Active market with ongoing opportunity to buy securities will inspire increased participation
- Direct investor-to-investor access to liquidity
- Centralized liquidity typically leads to increased market capacity
- Structural features designed to reduce the need for continual underwriting fees
- Direct access to product for ALL types of institutional investors

*A motivated top -tier team together with the efficiencies of the Clarity ATS will lead to tremendous product innovation, less systemic risk, and better access to the capital markets for all variable rate municipal issuers.*

# Market Dynamics

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# Product Suite

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<b>B-VRDO</b>	Biddable - Variable Rate Demand Obligations
<b>B-TOB</b>	Biddable - Tender Option Bonds
<b>B-MLVRS</b>	Biddable - Market Liquidity Variable Rate Securities
<b>B-FRN</b>	Biddable - Floating Rate Notes

# Product Suite

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## Biddable – Variable Rate Demand Obligations (B-VRDO)

B-VRDOs retain the key features of traditional VRDOs and are 2a-7 eligible:

- T + 1 settlement
- Deals price competitively each day of the week
- Day of the week and frequency of pricing determined by the issuer
- Existing holders are required to bid in each weekly process
- All investors receive the Clearing Market Rate – lowest rate at which the cumulative total of securities demanded (buyers) is equal to the total amount of securities available (sellers)

The Liquidity Facility Provider role is formalized in the bidding process as the “Contractual Bidder”:

- Liquidity Facility Provider acts as the Contractual Bidder for 100% of outstanding B-VRDOs during each Bidding Process
- The rate paid on Bonds allocated to the Contractual Bidder will be the greater of (a) the Clearing Market Rate, and (b) a predetermined schedule of rates based on the amount and time the Contractual Bidder owns bonds



# Product Suite

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## Biddable – Tender Option Bonds (B-TOB)

B-TOBs retain the key features of traditional TOBs and are 2a-7 eligible:

- T + 1 settlement
- Deals price competitively each day of the week
- Day of the week and frequency of pricing determined by the TOB sponsor
- Existing holders are required to bid in each weekly process
- All investors receive the Clearing Market Rate – lowest rate at which the cumulative total of securities demanded (buyers) is equal to the total amount of securities available (sellers)
- Potential opportunity for a non-bank Volcker-compliant solution

# Product Suite

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## Biddable – Market Liquidity Variable Rate Securities (B-MLVRS)

B-MLVRS are floating rate debt instruments with a long-term final maturity and a pre-determined short-term periodic reset, typically 7, 28 or 35 days

- Rates are reset through a competitive bidding process
- [12] month continuous fail triggers a pre-determined Mandatory Tender (MT) date (soft put)
- Flat Fail Mode Rate [5-8%] commensurate with tenor of MT date
- Maximum Rate is maximum deal rate [9-12%]
- If bonds reset successfully during fail period, MT is cancelled
- Callable on any reset date with [7] days notice
- High grade credits: single A or better
- No liquidity facility required
- Investors look to issuer's long term rating

# Product Suite

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## Biddable – Floating Rate Notes (B-FRN)

B-FRNs are floating rate debt instruments with rolling Mandatory Tender dates, underlying long term final maturities, and a pre-determined periodic reset where the spread to an index resets

- Reset [Quarterly] – spread to [7 day SIFMA ] resets through a competitive bidding process
- [3] Year Mandatory Tender (MT):
  - Successful rate reset: [3] Year MT rolls forward
  - Fail Mode: Imbalance of sells over buys and investors are forced to hold
  - Fail Rate commences and MT is locked in [3] Years from settlement
  - In Fail Mode, bidding continues and any successful reset causes rolling [3] Year MT to resume
- Flat Fail Mode rate [5-8]% commensurate with tenor of MT date
- MT is soft put structure
- Callable on any reset date with 7 days notice
- High grade credit: single A or better
- Investors rely on issuer's long term rating
- Maximum Rate in the event of failure to purchase MT is maximum deal rate [9-12%]

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## Clarity Team Bios

<b>Robert Novembre</b>	Robert Novembre is the founder, CEO & President of Clarity BidRate Alternative Trading System. Prior to forming Clarity, Robert was responsible for all trading, syndicate and sales for variable-rate products at Citigroup. Mr. Novembre earned a Bachelor of Arts degree in International Relations/Economics at Boston University and an MBA in Finance/International Business at Fordham University.
<b>Theresa Gallagher</b>	Theresa Gallagher is the Chief Operating Officer of Clarity BidRate Alternative Trading System. Theresa was previously the Global Head of Short Term Securities at Citigroup. Ms. Gallagher holds a B.A. in Economics and Finance from Douglass College, Rutgers University and an MBA in Finance from Fordham University.
<b>Zach Tucker</b>	Zach Tucker is the Chief Financial Officer of Clarity BidRate Alternative Trading System. Most recently, Zach worked at Credit Suisse where he brought them into the Tender Option Bond (TOB) market, eventually serving as a liquidity provider for over \$2 billion notional in TOB floating rate certificates. Zach was also previously an institutional municipal trader at Citigroup, Piper Jaffray and Credit Suisse. Zach graduated from Stanford University with a B.S. in Management Science and Engineering.
<b>Ken Kollar</b>	Ken Kollar is the Chief Administrative Officer of Clarity BidRate Alternative Trading System. Ken was previously a Director at Citigroup in the Short Term Auction Rate Products Group. Mr. Kollar graduated from the New York Institute of Technology with a Bachelor of Science in Business Administration and Finance.
<b>Juan Oloriz</b>	Juan Oloriz is Managing Director, Head of Operations. Juan has over 25 years of operational experience in the brokerage field, having held roles as Business Unit Manager, Trade Support Manager and Syndicate Operations Manager. Juan also has extensive experience with the merging of back-office settlements and operations for Municipal & Fixed Income products and Variable Rate Structured products. He was a member of SIFMA's Money Market & Municipal Operations Committee for 15 years.

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